

Message Text

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43

ACTION SS-30

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----- 006216

O R 021100Z MAY 74
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 4584
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
USMISSION EC BRUSSELS
USMISSION GENEVA
USMISSION OECD PARIS

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EXDIS

E.O. 11652: N/A

TAGS: EAGR, ETRD, GATT, EEC, IT

SUBJECT: GATT ARTICLE XXIV:6 NEGOTIATIONS - TOBACCO

FOR STR AND AGRICULTURE (KIGER)

1. AGATT AND AMERICAN TOBACCO ASSOCIATES PRESIDENT WILLIAMS
HELD USEFUL CONVERSATIONS WITH ITALIAN TOBACCO MONOPOLY REPS
APRIL 30 FOLLOWED BY EXTENSIVE DISCUSSIONS WITH SENATOR DAL FALCO
(DC), SPOKESMAN FOR ITALIAN ASSOCIATION OF TOBACCO GROWERS.
MONOPOLY AND DAL FALCO AGREED THAT US PROBLEM CAN BE SOLVED EITHER
BY RAISING THRESHOLD BETWEEN 24.01A AND 24.01B TO 400-500 UA OR
RATHER BY CREATING SEPARATE SUBITEM FOR WRAPPER TOBACCO. DALFALCO
SAID NECESSARY INSTRUCTIONS HAVE ALREADY GONE TO TOBACCO MONOPOLY
REP IN BRUSSELS, WHO IS GOI SPOKESMAN THERE ON TOBACCO.

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2. EMBASSY, MONOPOLY AND DAL FALCO AGREE THAT, WHEN TOBACCO

CAP ESTABLISHED IN 1961, PURPOSE OF 280 UA THRESHOLD WAS TO SPECIFICALLY PROTECT ITALIAN WRAPPER TOBACCO; IT WAS NEVER INTENDED TO INCLUDE CIGARETTE TOBACCO. 280 UA SELECTED AT GOI INSISTENCE AS BREAK-POINT. INFLATION AND SWITCH FROM LEAF TO STRIPS EXPORTS HAVE PUSHED US FLUE-CURED VIRGINIA (BRIGHT) TOBACCO PRICES NEAR OR ABOVE THRESHOLD. WRAPPER TOBACCO PRICES HAVE ALSO RISEN AND ARE NOW WELL ABOVE 280 UA LEVEL. THERE IS THUS STRONG RATIONALE FOR RAISING THRESHOLD PRICE SIGNIFICANTLY.

3. WILLIAMS INFORMED AGATT AND DAL FALCO THAT SEPARATE CATEGORY FOR WRAPPER TOBACCO OR IF UNATTAINABLE AT LEAST SIGNIFICANT INCREASE (400-500 UA) IN THRESHOLD PRICE WOULD BE SATISFACTORY. HE NOTED HOWEVER THAT USG WAS NEGOTIATING THESE MATTERS AND THAT CHOICE OF STRATEGY IS UP TO WASHINGTON.

4. EMBASSY WOULD APPRECIATE BEING INFORMED SOONEST OF APPROACH WASHINGTON, AGENCIES DESIRE ON XXIV:6 TOBACCO PROBLEM. EC MISSION BRUSSELS SHOULD CHECK WITH COMMISSION SOURCES AND ITALIAN DELEGATION TO SEE HOW THEY ARE PLAYING IT AFTER DEVELOPMENTS DESCRIBED PARA (1) ABOVE. VOLPE

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